

Message Text

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ORIGIN L-03

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EUR/EE:EHURWITZ

EB/IFD:WWITHERELL (PARA 5)

TREASURY:SSOMMERFIELD (PARA 4)

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FM SECSTATE WASHDC

TO AMEMBASSY PRAGUE IMMEDIATE

C O N F I D E N T I A L STATE 139509

E.O. 11652: GDS

TAGS: PFOR, EFIN, L/C, CZ, US

SUBJECT: CLAIMS NEGOTIATIONS - AGREED ARTICLES

REF: PRAGUE'S 1502

1. RE AGREED MINUTE, DEPARTMENT CONCURS IN PROPOSED LANGUAGE.

2. RE ARTICLE 8, SUBPARAGRAPHS 1 AND 2 OF PARAGRAPH 1, DEPARTMENT CONCURS IN PROPOSED LANGUAGE. AMOUNT OF CROWNS OF US ARMY ACCOUNT APPARENTLY GARBLED IN CABLE AS SEVEN THOUSAND, ONE HUNDRED AND SIXTY-ONE POINT FIFTY-FIVE CROWNS. CORRECT AMOUNT SHOULD BE VERIFIED AND INSERTED.

3. RE ARTICLE 8, SUBPARAGRAPH 1, UPON REFLECTION WE PREFER FREE USE OF CROWNS AND NOT SUBJECT TO AGREEMENT OF THE CZECH MINISTRY OF FOREIGN AFFAIRS. IF CZECHS UNWILLING TO AGREE, WE SHOULD TRY TO OBTAIN SIDE EXCHANGE OF MINUTES ON UNDERSTANDING TO THE EFFECT THAT AGREEMENT OF CZECH
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MINISTRY OF FOREIGN AFFAIRS WOULD BE WITHHELD ONLY FOR

REASONS OF PARTICULAR IMPORTANCE TO THE CZECHS.

4. RE ARTICLE 10, PARAGRAPH 2, BOTH ORIGINAL AND REVISED LANGUAGE OBJECTIONABLE AS BEING TOO BROAD BECAUSE SUSCEPTIBLE TO INTERPRETATION TO INCLUDE RETURN, FOR EXAMPLE, OF VESTED STEEL MILL, PROCEEDS OF WHICH HAVE ALREADY BEEN UTILIZED FOR PART PAYMENT OF CLAIMS. AT LEAST REVISED LANGUAGE MUST BE QUALIFIED BY ADDING "OTHER THAN THOSE TO WHICH TITLE IS NO LONGER IN THE GOVERNMENT OF THE UNITED STATES AT THE DATE OF ENTRY INTO FORCE OF THIS AGREEMENT AND THE PROCEEDS OF WHICH HAVE BEEN APPLIED TO OUTSTANDING CLAIMS." MORE IMPORTANTLY, HOWEVER, THERE IS BASIC QUESTION WHETHER SUBPARAGRAPH 2 IS NECESSARY. ACCORDING TO TREASURY (STANLEY SOMMERFIELD), THERE ARE NO VESTED CZECH PROPERTIES AT THIS TIME WHICH ARE "DANGLING." NORMALLY, PROCEEDS OF VESTED PROPERTIES ARE USED UP. THERE MAY BE SOME "DEVESTED" PROPERTIES WHICH ARE TECHNICALLY DIFFERENT AND ARE SUBJECT TO THE SAME BLOCKING REGULATIONS WHICH WOULD FALL UNDER PARAGRAPH 1. THE CZECH DELEGATION SHOULD BE QUERIED WHETHER THEY KNOW OF ANY "VESTED" CZECH PROPERTIES, EITHER GOVERNMENTAL OR PRIVATE, AND, IF SO, IDENTIFY THEM FOR VERIFICATION IN WASHINGTON. WITH REGARD TO "DEVESTED" PROPERTIES, USG POLICY IS THE SAME AS FOR OTHER BLOCKED PROPERTY, NAMELY, THAT THEY WOULD BE RELEASED FROM BLOCKING WITHIN 30 DAYS AFTER ENTRY INTO FORCE OF THE AGREEMENT. AS IN HUNGARIAN CASE, INDIVIDUALS WILL BE ABLE TO APPLY DIRECTLY TO THE TREASURY FOR THE RETURN OF THEIR ASSETS WHICH ARE IN THE TREASURY'S POSSESSION. UNDER EXISTING PRACTICE, TREASURY WILL NOT FURNISH TO THE CZECH GOVERNMENT A LISTING OF BLOCKED ACCOUNTS OR NAMES OF PERSONS. USG WILL NOT FORCE RETURN OF THE BLOCKED PROPERTIES TO THE CZECHS. DEPENDING UPON ACTUAL FACTUAL SITUATION, STATE AND TREASURY WILL AT A LATER DATE PROPOSE APPROPRIATE LANGUAGE. URGENT REPLY REQUESTED BECAUSE SOMMERFIELD WILL LEAVE OFFICE NEXT WEDNESDAY JULY 3 FOR HOLIDAY.

5. RE ANNEX B, CZECH LETTER, WE PREFER THAT IN THE LAST PHRASE OF PENULTIMATE PARAGRAPH INSERT "THE QUESTION OF THE SETTLEMENT OF THIS BONDED INDEBTEDNESS" VICE "THE CONFIDENTIAL

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QUESTION" IN ORDER TO BE MORE SPECIFIC AND EMPHASIZE SETTLEMENT. SUBJECT THERETO, DEPARTMENT CONCURS IN PROPOSED LANGUAGE. FOR FUTURE GUIDANCE, DEPARTMENT SHOULD BE INFORMED WHETHER ORIGINAL US PROPOSAL FOR RESUMPTION OF DEBT SERVICE HAD BEEN RAISED AND DISCUSSED WITH CZECHS AND WHAT CZECH INTENTIONS ARE ON THE SETTLEMENT OF THE PROBLEM OF THIS BONDED INDEBTEDNESS. SISCO

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